



Customer Alonso Reyes (left), 25, gets a written price quote for a set of four new rims for his 2008 Mustang GT from salesman Chris Sanchez at Rent-a-Wheel in Canoga Park, Calif. Photos by McClatchy-Tribune

Economy's driving more consumers to rent their tires

Rent-to-own tire shops provide ready credit to consumers who can't get a loan elsewhere, but that access doesn't come cheap.

By Ken Bensinger
Los Angeles Times

When the tires on their Dodge Caravan had worn so thin that the steel belts were showing through, Don and Florence Cherry couldn't afford to buy a new set.

So they decided to rent instead. The Rich Square, N.C., couple last September agreed to pay Rent-N-Roll \$54.60 a month for 18 months in exchange for four basic Hankook tires. Over the life of the deal, that works out to \$982, almost triple what the radials would have cost at Wal-Mart.

"I know you have to pay a lot more this way," said Florence Cherry, a 57-year-old nurse who drives the 15-year-old van when her husband isn't using it to get to his job as a prison guard. "But we didn't really have a choice."

Socked by soaring tire prices and short on funds, growing numbers of Americans are renting the rubber to keep their cars rolling.

Rent-to-own tire shops are among the newest arrivals to a sprawling alternative financial sector focused on the nation's economic underclass. Like payday lenders, pawn shops and Buy Here Pay Here used-car lots, tire rental businesses provide ready credit to consumers who can't get a loan anywhere else. But that access doesn't come cheap.

Customers pay huge premiums for their tires, sometimes four times above retail. Those who miss payments may find their car on cinder blocks, stripped of their tires by dealers who aggressively repossess. Tire rental contracts are so ironclad that even a bankruptcy filing can't make them go away.

Still, with payments as low as \$14 a week, rent-to-own — long the province of sofa sets and flat-screen TVs — is proving irresistible for consumers desperate for safe transportation.

It's also a booming business for specialized tire and wheel dealers that have become beneficiaries of a struggling U.S. economy. Fast-expanding chains with names like Rent-a-Wheel and EZ Rims 4 Rent that got their start selling high-end rims to car enthusiasts have discovered a lucrative market selling tires on time.

"We see tremendous opportunity serving people who are just looking for dependable tires to get to work," said Larry Sutton, founder and president of Rent-N-Roll. The Tampa, Fla., chain has 66 locations nationwide and plans to open six more this year.



Rent-a-Wheel sells tires and rims on a rent-to-own basis.

Sutton registered the trademark RNR Tire Express last fall and has been rebranding many stores to focus on tires instead of the oversized chrome rims that were the chain's mainstay. Today, Sutton said, tires make up two-thirds of RNR's sales, up from less than half several years ago.

A host of economic factors are pushing the growth of tire rentals.

Soaring costs for natural rubber and petroleum used to manufacture tires have pushed up prices. The average price of a passenger tire in the U.S. increased 57 percent in 2012 from 2006, according to data from trade publication Modern Tire Dealer. The prices on some popular sizes have more than doubled.

Consumers, meanwhile, have an increasingly difficult time affording big-ticket purchases.

Since 2009, median household income has fallen more than 5 percent. And in the wake of the recession, the number of households in the country with credit histories too damaged to qualify for most credit cards has risen to 35 percent from 27 percent five years ago.

With more people shut out of traditional financing, the rent-to-own industry has flourished.

Tires account for just a tiny slice of the \$8.5 billion rent-to-own market. But they stand out from the industry's traditional fare because — unlike with a dinette set — giving back tires means not being able to drive to work.

"Tires are a necessity," said Jim Hawkins, a University of Houston law professor who studies the alternative finance industry.

Changing demand

The first rent-to-own tire and wheel dealers appeared in the mid-1990s, targeting young urban males looking to spiff up their rides. Chains enlisted rap personalities such as Snoop Dogg and Busta Rhymes to hawk shiny customized rims and low-profile tires.

But after the economy crashed, dealers saw an influx of customers asking for standard passenger tires. Many new patrons were older and a surprising number were women, a group the industry had all but

ignored.

Michelle Collins of Denham Springs, La., made her way to a Rimco store after her long-unemployed husband found work.

The tires on their Chevy Silverado were in terrible shape, too dangerous to be used for the long drive to his new job as an industrial painter. But they were such an odd size that the cheapest replacement set cost \$1,340 at a regular tire store, far beyond Collins' budget.

The Rimco salesman said he'd get her rental tires for the same price and almost no money down — so long as she paid them off within 120 days. What Collins didn't realize was that the cost would skyrocket if she missed the "same-as-cash" deadline.

She found out the hard way.

This spring, Collins, who owns a used-book store, made her 18th and final monthly payment of \$164.10, bringing the total price for the tires to nearly \$3,000. That works out to the equivalent of more than 120 percent annual interest, quadruple the highest credit card rates.

"We couldn't risk losing the job over tires, no matter what the cost," said Collins, 40, who has five children living at home.

Like other tire rental stores, Rimco is undergoing a transformation thanks to changing customer demand.

Four years ago, 70 percent of Rimco's sales were aftermarket rims and the rest were tires; today that ratio is reversed. The chain, a unit of Atlanta rent-to-own giant Aaron's, has 28 stores and plans to open seven more by year's end.

The market leader is Rent-a-Wheel. With \$100 million in sales, the company last year ranked as the nation's seventh-largest independent tire dealer, according to Modern Tire Dealer. The chain operates 89 stores branded as either Rent-a-Wheel or Rent-a-Tire and has aggressive expansion plans.

"It's a very young industry, but it has a lot of potential," said Matt Seaburn, president of the Los Angeles chain, which was founded in 2006. "But we have to be careful about where we operate, who we deal with and how we deal with them."

TECHNICIANS: Schools, employers collaborate

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type. They need to know computers. They need to basically have an electrical engineering degree."

Warren said dealerships and independent repair shops need to reach out to high school students to attract employees and stay competitive.

High school auto programs rely on whatever cars and equipment they can get their hands on, sometimes working with out-of-date vehicles that are no longer on the road. Dealerships donate cars to these programs to keep training practical and to spark student interest in a particular brand.

Warren recently gave a new Ford Focus to Franklin County High School's automotive program. He also gave a 2008 Ford Explorer to the auto department at Roanoke County's Burton Center for Arts and Technology.

"These kids should be working on something new. I don't want them working on some junk car," he said.

The relationship between employers and technical schools is symbiotic. Warren relies on Burton to produce competent future workers as much as the school depends on Warren's donations and financial backing. Steven Hoback, an auto instructor at Burton, said the school's automotive programs spent \$35,000 this year alone.

"Some of that comes from [national grant] funding," said Hoback. "But we get a lot of support from dealerships and local shops."

Similar programs dot Virginia. Kathy Duncan, principal of the Roanoke Technical Education Center, said all Virginia automotive programs must now receive accreditation from the National Automotive Technicians Education Foundation. Statewide NATEF certification means all Virginia auto students come out of high school with roughly the same technical training.

"This summer we'll be going through the accreditation process," Duncan said. "We're trying to serve a need in the community."

Additional training

Many technical school graduates pursue some secondary training or education in their field after high school, Duncan said.

Community colleges such as Virginia Western have auto programs that prepare students for Automotive Service Excellence certification. ASE-certified technicians come out of school with a broad repair skill set. The certification is a minimum requirement for employment at most independent shops, said Mike Dudley, manager of Roanoke Auto Service Center.

Dudley said potential employees also must meet state inspection standards and obtain separate licenses from the Virginia State Police's Safety Division before he can seriously consider them as job candidates. He said ASE certification and state licensure give technicians at independent service centers enough experience to handle major and minor repairs on a variety of vehicles.

"We do run the computer scans and that type of thing. We can handle repairs, replacements, anything of that nature. But most independents can't program. Dealerships kind of have a lock on that," Dudley said. "Like if a check engine light comes on for a specific reason on a certain model, the dealerships can program the vehicle with a computer update."

Warren said ASE certification

does not provide enough brand-specific experience to prepare graduates for more technical programming positions at major dealerships without extra training. Companies such as Ford started their own training programs to prepare employees to fill more specific openings, he said.

"You have to grow them. You won't get them coming to you, no matter how much you headhunt and advertise," he said. "If I don't bring up guys I can count on, I don't have a paycheck."

Technical training

Magic City Ford technician Jason Tuck graduated from Botetourt Technical Education Center in 2001. He then enrolled in Ford's program to become a certified Ford technician. The extra training prepared Tuck for Ford-specific repair work, and for more technical, higher paying positions earlier in his career. He said his experience in the two programs was vital to his eventual success in the auto repair industry.

"These programs are a good foundation and a starting point to come out and go into a field. They're really increasing technical training and career readiness," he said. "Coming out of high school and getting into something like a Ford program right away gets you technical training and sets you up to be a specified tech."

Dealerships encourage high school graduates to enroll in brand-specific technical training to help foster specialized future employees. Greg Cash, service manager at Magic City Ford, said most auto shops and dealerships are constantly on the hunt for qualified technicians.

"We've been really struggling to find some good techs. But we were fortunate over here and have some great candidates coming in," he said.

Cash looks for graduates from programs like Burton, Botetourt Tech and Salem High School's Auto Service program. He said that with a strong high school background and two or three years of technician training, mechanics can see money sooner — and rack up less debt — than their former classmates still in college.

"It's a very good financial situation for these kids to get into. There's very good potential for a good career," he said.

The median annual salary for service technicians is \$36,000, according to the Bureau of Labor Statistics, and more specialized auto workers can expect higher pay. Brand-specific technical programs are not free, but students in these programs generally receive an hourly wage for their auto work, and their earnings can offset the costs of enrollment, books and equipment.

Compare this with the \$41,000 that the average business administration major is expected to earn as a starting salary, as listed by Payscale.com. English majors can expect \$38,000, education majors \$37,000 and chemistry majors \$45,000. Many four-year grads have an edge in starting salary, but they face an average of \$35,000 in student loans and debt, according to a recent Fidelity survey of 750 colleges and universities.

However, going to trade school and getting a college degree are not mutually exclusive. Warren said students can enroll part time or take night classes while they go through auto technician training. From 2000 to 2010, the number of part-time students enrolled in undergraduate universities rose by 26 percent, according to the National Center for Education Statistics. Warren said this trend lets students double dip in technical and undergraduate studies.

"These guys can come out in two years, and, if they take night classes, too, they can have two years of [undergraduate] schooling. I've had guys do that," Warren said. "If the kids or Mom or Dad really want that piece of paper on the wall, it's definitely doable."

RETAIL: Bank of America to close its Westlake Town Center site

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nity," White said.

In other banking news, Bank of America will close its Westlake Town Center branch in August.

"This decision is driven primarily by a decline in transactions, as customers increasingly rely on other channels including mobile

and online banking," bank spokeswoman Nicole Nastacie wrote in an email. She would not say how many customers use the branch.

The closest Bank of America branch is in Vinton on South Polard Street, a 30-minute drive from Westlake.

One customer, James Perry, said he and others have asked the bank to

at least leave open an ATM so customers can make deposits and withdraw cash.

Nastacie said the bank will not have an ATM at Westlake after the branch closes.

Perry said he believes the closure and inconvenience of having to drive to Vinton will likely cause the bank to lose customers. He plans to look into

banking elsewhere, he said.

Also, as noted on The Storefront blog, Freedom First Federal Credit Union has completed its move into a larger space at Towers Shopping Center in Roanoke.

The credit union has had an office at Towers for the past 10 years. Last year, the credit union merged with Carilion Federal Credit Union and the

branch, which is near the hospital, saw an increase in traffic. The credit union decided to relocate to a larger space within the shopping center.

It also tore down the old Java the Hut kiosk in the parking lot and built a drive-up ATM.

The new office is 2,700 square feet and has more teller windows, four offices and a conference room.

THE ROANOKE TIMES
roanoke.com
Publication Date: 06/23/2013

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